

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name BLACKMAN CHARTER TOWNSHIP	County JACKSON
Audit Date 12/31/04	Opinion Date 4/20/05	Date Accountant Report Submitted to State: 6/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) DOVE & HICKEY, PLC			
Street Address 209 E WASHINGTON AVE SUITE 255	City JACKSON	State MI	ZIP 49201
Accountant Signature <i>Dove & Hickey PLC</i>		Date	

CHARTER TOWNSHIP OF BLACKMAN

JACKSON COUNTY - MICHIGAN

FINANCIAL STATEMENTS

Year Ended December 31, 2004

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Dove & Hickey, P.L.C.

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ALLISON I. COLE, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Township Board
Charter Township of Blackman
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Blackman as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Blackman's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Blackman as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 13 the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of December 31, 2004.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Blackman's basic financial statements. The combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dove & Hickey P.C.
April 20, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

CHARTER TOWNSHIP OF BLACKMAN MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Charter Township of Blackman's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2004. Please read it in conjunction with the Township's financial statements which follow.

Financial Highlights

The following represents the most significant financial highlights for the year ended December 31, 2004:

- The assets of the Township exceeded its liabilities at the close of 2004 by \$31,434,707 (net assets). Of this amount, \$13,033,799 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$828,782.
- As of the close of 2004, the Township's governmental funds reported combined ending fund balances of \$1,267,504, a decrease of \$92,323 in comparison with the prior year. The amount available for spending at the government's discretion (unreserved fund balance) is \$1,198,863.
- At the end of 2004, unreserved fund balance for the General Fund was \$974,648, an increase of \$46,245 in comparison with the prior year.
- The Township's total long-term debt decreased by \$104,967 for primary government and \$50,000 for business-type activities during 2004; no new debt was issued.
- Property tax revenues, administrative fees, tax collection fees, and delinquent charges for 2004 totaled \$1,460,659, an increase of \$140,217 over 2003 revenues of \$1,320,442. This was due mainly to taxable value increases, which were mitigated by a reduction in millage rate due to the Headlee rollback.
- State shared revenue continues to be reduced. For 2004 the state shared revenue was \$1,453,763, a decrease of \$101,728 from the 2003 revenue of \$1,555,491.
- Public Safety revenues from court fines for 2004, totaled \$123,016, a decrease of \$34,537 from 2003 revenues of \$157,553. This decrease is mainly caused by a cut back in Public Safety staffing.
- The Board initiated negotiations in November with the City of Jackson to resolve issues relating to the Waste Water Treatment contracts that had been ongoing since 1998. Because the Charter Township of Blackman was almost out of useable sewage capacity, the main issue was the purchase of additional capacity. Without capacity, growth in the Charter Township of Blackman was slow and some projects were informally placed on hold. The negotiations were successfully concluded early in 2005.
- Charter Township of Blackman signed a contract with the City of Jackson and the State of Michigan to provide water services to the State's many prisons and other properties within the Charter Township of Blackman. This contract also freezes water rates for Charter Township of Blackman residents for three years, stabilizes the water systems pressure, provides another source line of water service to the Township and will allow previously undeveloped properties to be developed.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Charter Township of Blackman as a Whole

The following table shows a condensed format of the net assets as of December 31, 2004. the management's discussion and analysis will present a comparative statement of net assets next year when we have two years of statements in this new format:

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current and Other Assets	\$ 2,826,226	\$11,471,640	\$14,297,866
Non-current Special Assessments	-0-	850,348	850,348
Non-current - Capital Assets	2,030,642	16,886,568	18,917,210
TOTAL ASSETS	4,856,868	29,208,556	34,065,424
LIABILITIES			
Other liabilities	1,693,390	393,693	2,087,083
Long-term liabilities	543,634	-0-	543,634
TOTAL LIABILITIES	2,237,024	393,693	2,630,717
NET ASSETS			
Invested in capital assets - Net of related debt	1,440,790	16,831,568	18,272,358
Restricted	112,105	16,445	128,550
Unrestricted	1,066,949	11,966,850	13,033,799
TOTAL NET ASSETS	\$ 2,619,844	\$28,814,863	\$31,434,707

The Township's combined net assets for both governmental and business-type activities total \$31,434,707 for the year 2004. Net assets are further segregated between restricted and unrestricted net assets. The restricted net assets, assets that are restricted and invested in capital assets, total \$18,400,908. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, total \$13,033,799.

Charter Township of Blackman as a Whole (Continued)

The following table shows the change in net assets for the year ended December 31, 2004.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
REVENUE			
Program revenue:			
Charges for services	\$ 749,402	\$ 2,747,464	\$ 3,496,866
Operating grants and contributions	127,744	-0-	127,744
Capital grants and contributions	133,739	428,306	562,045
General Revenue:			
Property taxes	1,268,115	-0-	1,268,115
State-shared revenues	1,453,763	-0-	1,453,763
Interest	10,451	155,477	165,928
Gain on sale of assets	3,570	-0-	3,570
Cable franchise fees	75,046	-0-	75,046
Miscellaneous	18,952	-0-	18,952
TOTAL REVENUE	3,840,782	3,331,247	7,172,029
EXPENSES			
General government	673,097	-0-	673,097
Public Safety	2,955,498	-0-	2,955,498
Public Works	115,667	-0-	115,667
Community & economic development	75,966	-0-	75,966
Recreation	13,072	-0-	13,072
Sewer	-0-	2,185,384	2,185,384
Water	-0-	309,095	309,095
Special assessments	-0-	4,953	4,953
Other	10,515	-0-	10,515
TOTAL EXPENSES	3,843,815	2,499,432	6,343,247
CHANGE IN NET ASSETS	(\$ 3,033)	\$ 831,815	\$ 828,782

Governmental Activities

Governmental activities are those activities (such as public safety and street improvement and maintenance) provided to the constituents of the Township and supported by financing from property taxes and state-shared revenues.

The cost of providing services for governmental activities was \$3,843,815 for the year 2004. Additionally, revenues for governmental activities totaled \$3,840,782, which netted to a decrease in net assets for the year of \$3,033.

Business-type Activities

Business-type activities are those that are financed primarily by charges for services or user fees. The Township's business-type activities consist of the Sewer and Water Funds and sewer and water special assessments fund; these types of operations are most similar to private businesses.

The Township's Funds

These funds have been established to manage funds for specific purposes: General Fund which pays for most of the Township's governmental services, Public Safety Funds, Drug Forfeiture, Criminal Forfeiture, Building, Parks, Cemetery, Street Lights, Brownfield, Sewer Fund, Water Fund, and special assessments. The General Fund and Public Safety Funds are supported by local property taxes and state-shared revenue. The Sewer and Water Funds are supported by user fees and special assessments.

General Budgetary Highlights

Over the course of the year, the Township Board monitors the budget, and if necessary, amends the budget to take into account anticipated events that occur during the year. The General Fund balance increased \$46,245.

The following provides specific details regarding the amendments:

- The budget for General Fund total revenues decreased \$30,661 compared to the original budget.
- The budget for General Fund total expenditures decreased \$114,948 compared to the original budget.
- The budget for General Fund use/transfer to the Public Safety Fund decreased \$346,949 compared to the original budget.
- The decrease in the General Fund use/transfer to Public Safety was a result of the Public Safety budgeted revenue increasing \$80,300, budgeted Public Safety expenditures decreasing by \$192,351 and a reduction of the Public Safety Fund balance by \$90,097.

The following provides specific details regarding the variances between the final General Fund budget and actual results:

- The actual revenue positive variance was \$42,751.
- The actual expenditures positive variance was \$90,164.
- The actual use/transfer to Public Safety positive variance was \$134,176.
- The actual combined positive variance was \$267,091.

Capital Asset and Debt Administration

At the end of the year 2004, the Township had \$18,917,210, net of accumulated depreciation, invested in capital assets (land, buildings, equipment, vehicles, and sewer and water lines). These assets are necessary to carry out the day-to-day operations of the Township.

Economic Factors and Next Year's Budgets and Rates

Highlights of the original 2005 budget adopted December 26, 2004, are:

- A 2.16% reduction in millage rates due to the Headlee rollback calculation.
- A budget (projected) fund General Fund balance at December 31, 2005 of approximately \$670,000.

As a result of approximately \$580,000 of 2005 revenue from the State of Michigan and cable TV fees (which is projected to be received after December 31, 2005), cash flow for the year will need to be managed closely.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the revenue it receives. If you have any questions about this report or need additional information, we invite you to contact the Charter Township of Blackman's supervisor.

CHARTER TOWNSHIP OF BLACKMAN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2004

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>ASSETS:</u>				
Cash and investments	\$ 1,043,007	\$10,768,844	\$11,811,851	\$ 1,076,297
Prepaid expenses	52,110	831	52,941	495
Receivables:				
Taxes	1,085,465	-0-	1,085,465	400,558
Interest	-0-	48,780	48,780	-0-
Customers	-0-	279,609	279,609	-0-
Special assessments - current	99,114	211,503	310,617	-0-
Other	83,312	-0-	83,312	-0-
Due from other governmental units	565,104	60,187	625,291	-0-
Internal balances	(101,886)	101,886	-0-	-0-
Special assessments - net of current portion	-0-	850,348	850,348	-0-
Capital assets - net	<u>2,030,642</u>	<u>16,886,568</u>	<u>18,917,210</u>	<u>25,855</u>
Total assets	<u>4,856,868</u>	<u>29,208,556</u>	<u>34,065,424</u>	<u>1,503,205</u>
<u>LIABILITIES:</u>				
Accounts payable and accrued liabilities	163,906	337,198	501,104	20,974
Accrued interest	2,480	636	3,116	23,309
Deferred revenue	1,361,123	-0-	1,361,123	418,341
Compensated absences:				
Due within one year	58,981	859	59,840	-0-
Due in more than one year	20,682	-0-	20,682	-0-
Long-term debt:				
Due within one year	106,900	55,000	161,900	130,000
Due in more than one year	<u>522,952</u>	<u>-0-</u>	<u>522,952</u>	<u>955,000</u>
Total liabilities	<u>2,237,024</u>	<u>393,693</u>	<u>2,630,717</u>	<u>1,547,624</u>
<u>NET ASSETS:</u>				
Invested in capital assets - net of related debt	1,440,790	16,831,568	18,272,358	25,855
Restricted:				
Street light services	13,877	-0-	13,877	-0-
Drug forfeiture activities	22,770	-0-	22,770	-0-
Criminal justice training	12,628	-0-	12,628	-0-
Debt service	34,543	16,445	50,988	-0-
Perpetual care	28,287	-0-	28,287	-0-
Unrestricted	<u>1,066,949</u>	<u>11,966,850</u>	<u>13,033,799</u>	<u>(70,274)</u>
Total net assets	<u>\$ 2,619,844</u>	<u>\$28,814,863</u>	<u>\$31,434,707</u>	<u>(\$ 44,419)</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF BLACKMAN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended December 31, 2004

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
GOVERNMENTAL ACTIVITIES:				
General government	\$ 673,097	\$ 223,292	\$ -0-	\$ -0-
Public Safety	2,955,498	394,396	127,744	133,739
Public works	115,667	110,331	-0-	-0-
Community and economic development	75,966	19,608	-0-	-0-
Recreation	13,072	1,775	-0-	-0-
Other	<u>10,515</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total governmental activities	<u>3,843,815</u>	<u>749,402</u>	<u>127,744</u>	<u>133,739</u>
BUSINESS-TYPE ACTIVITIES:				
Sewer	2,185,384	2,271,392	-0-	428,306
Water	309,095	474,024	-0-	-0-
Special assessment	<u>4,953</u>	<u>2,048</u>	<u>-0-</u>	<u>-0-</u>
Total business-type activities	<u>2,499,432</u>	<u>2,747,464</u>	<u>-0-</u>	<u>428,306</u>
Total primary government	<u>\$ 6,343,247</u>	<u>\$ 3,496,866</u>	<u>\$ 127,744</u>	<u>\$ 562,045</u>
COMPONENT UNITS:				
LDFA	\$ 154,733	\$ -0-	\$ -0-	\$ -0-
DDA	<u>63,970</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total component units	<u>\$ 218,703</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

GENERAL REVENUES:

Property taxes
State-shared revenues
Investment earnings
Gain on sale of assets
Cable franchise fees
Miscellaneous
Total general revenues and transfers

CHANGES IN NET ASSETS

NET ASSETS - BEGINNING
OF YEAR, AS RESTATED

NET ASSETS - END OF YEAR

See accompanying notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
(\$ 449,805)	\$ -0-	(\$ 449,805)	\$ -0-
(2,299,619)	-0-	(2,299,619)	-0-
(5,336)	-0-	(5,336)	-0-
(56,358)	-0-	(56,358)	-0-
(11,297)	-0-	(11,297)	-0-
<u>(10,515)</u>	<u>-0-</u>	<u>(10,515)</u>	<u>-0-</u>
<u>(2,832,930)</u>	<u>-0-</u>	<u>(2,832,930)</u>	<u>-0-</u>
-0-	514,314	514,314	-0-
-0-	164,929	164,929	-0-
<u>-0-</u>	<u>(2,905)</u>	<u>(2,905)</u>	<u>-0-</u>
<u>-0-</u>	<u>676,338</u>	<u>676,338</u>	<u>-0-</u>
(2,832,930)	676,338	(2,156,592)	-0-
-0-	-0-	-0-	(154,733)
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(63,970)</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(218,703)</u>
1,268,115	-0-	1,268,115	491,198
1,453,763	-0-	1,453,763	-0-
10,451	155,477	165,928	7,432
3,570	-0-	3,570	-0-
75,046	-0-	75,046	-0-
<u>18,952</u>	<u>-0-</u>	<u>18,952</u>	<u>-0-</u>
<u>2,829,897</u>	<u>155,477</u>	<u>2,985,374</u>	<u>498,630</u>
(3,033)	831,815	828,782	279,927
<u>2,622,877</u>	<u>27,983,048</u>	<u>30,605,925</u>	<u>(324,346)</u>
\$ <u>2,619,844</u>	\$ <u>28,814,863</u>	\$ <u>31,434,707</u>	(\$ <u>44,419</u>)

CHARTER TOWNSHIP OF BLACKMAN
BALANCE SHEET -
GOVERNMENTAL FUNDS
December 31, 2004

	General Fund	Public Safety Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>				
Cash and investments	\$ 579,330	\$ 123,821	\$ 339,856	\$ 1,043,007
Prepaid expenses	13,139	37,189	1,782	52,110
Receivables:				
Taxes	336,644	748,821	-0-	1,085,465
Special assessment	-0-	-0-	99,114	99,114
Other	80,494	2,818	-0-	83,312
Due from other governments	509,029	56,075	-0-	565,104
Due from other funds	<u>21,287</u>	<u>51,180</u>	<u>2,895</u>	<u>75,362</u>
Total assets	<u>\$1,539,923</u>	<u>\$1,019,904</u>	<u>\$ 443,647</u>	<u>\$3,003,474</u>
<u>LIABILITIES AND FUND BALANCES:</u>				
Liabilities:				
Accounts payable	\$ 15,387	\$ 75,683	\$ 34,264	\$ 125,334
Accrued liabilities	5,097	48,109	3,885	57,091
Due to other funds	155,518	-0-	21,730	177,248
Deferred revenue	<u>389,273</u>	<u>866,105</u>	<u>120,919</u>	<u>1,376,297</u>
Total liabilities	<u>565,275</u>	<u>989,897</u>	<u>180,798</u>	<u>1,735,970</u>
Fund balances:				
Reserved for:				
Criminal Justice training	-0-	12,628	-0-	12,628
Perpetual care	-0-	-0-	21,470	21,470
Debt service	-0-	-0-	34,543	34,543
Unreserved, reported in:				
Major Funds	974,648	17,379	-0-	992,027
Non-major Special Revenue funds	-0-	-0-	198,359	198,359
Non-major Capital Project fund	-0-	-0-	1,660	1,660
Non-major Permanent fund	<u>-0-</u>	<u>-0-</u>	<u>6,817</u>	<u>6,817</u>
Total fund balances	<u>974,648</u>	<u>30,007</u>	<u>262,849</u>	<u>1,267,504</u>
Total liabilities and fund balances	<u>\$1,539,923</u>	<u>\$1,019,904</u>	<u>\$ 443,647</u>	<u>\$3,003,474</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF BLACKMAN
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS -
GOVERNMENTAL FUNDS
December 31, 2004

Fund balances - total Governmental funds	\$ 1,267,504
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	2,030,642
Long-term liabilities not due and payable in the current period and are not reported in the governmental funds:	
Notes and bonds payable	(629,852)
Compensated absences	(61,144)
Accrued interest payable is not included as a liability in the governmental funds	(2,480)
Long-term receivables not available in current period and are not reported in the funds	<u>15,174</u>
Net assets of governmental activities	\$ <u>2,619,844</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF BLACKMAN
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended December 31, 2004

	General Fund	Public Safety Fund	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes and penalties	\$ 609,689	\$ 850,970	\$ -0-	\$1,460,659
Licenses and permits	109,253	-0-	94,128	203,381
Federal sources	-0-	106,490	592	107,082
State sources	1,453,763	130,822	-0-	1,584,585
Contributions from local units	-0-	22,000	-0-	22,000
Fines and forfeitures	-0-	123,016	101,479	224,495
Charges for services	8,241	21,330	2,375	31,946
Interest and rentals	8,595	-0-	1,856	10,451
Other revenues	<u>25,075</u>	<u>68,123</u>	<u>124,756</u>	<u>217,954</u>
Total revenues	<u>2,214,616</u>	<u>1,322,751</u>	<u>325,186</u>	<u>3,862,553</u>
EXPENDITURES:				
Current:				
General government	645,393	-0-	-0-	645,393
Public safety	-0-	2,737,557	231,360	2,968,917
Public works	11,536	-0-	98,835	110,371
Community and economic development	75,927	-0-	39	75,966
Recreation	-0-	-0-	9,642	9,642
Other	10,515	-0-	-0-	10,515
Debt service	<u>-0-</u>	<u>88,097</u>	<u>45,975</u>	<u>134,072</u>
Total expenditures	<u>743,371</u>	<u>2,825,654</u>	<u>385,851</u>	<u>3,954,876</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,471,245</u>	<u>(1,502,903)</u>	<u>(60,665)</u>	<u>(92,323)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-0-	1,425,000	-0-	1,425,000
Operating transfers (out)	<u>(1,425,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,425,000)</u>
Total other financing sources (uses)	<u>(1,425,000)</u>	<u>1,425,000</u>	<u>-0-</u>	<u>-0-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	46,245	(77,903)	(60,665)	(92,323)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	<u>928,403</u>	<u>107,910</u>	<u>323,514</u>	<u>1,359,827</u>
FUND BALANCES - END OF YEAR	<u>\$ 974,648</u>	<u>\$ 30,007</u>	<u>\$ 262,849</u>	<u>\$1,267,504</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF BLACKMAN
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
December 31, 2004

Net change in fund balance - total Governmental funds	(\$ 92,323)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	196,222
Depreciation on capital assets reported as part of governmental activities	(196,623)
Proceeds from the sale of capital assets are reported as revenue in the governmental funds; in the statement of activities, the gain on sale of capital assets is reported	(7,671)
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	
Interest expense is reported in the statement of activities when incurred; it is not reported in governmental funds until paid	879
Repayment of note/bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	104,967
Accumulated employee sick pay, are recorded when earned in the statement of activities	5,616
Principal payment on long-term receivable is revenue in the governmental funds, but not in the statement of activities (where it reduces long-term receivable)	<u>(14,100)</u>
Changes in net assets of governmental activities	(\$ <u>3,033</u>)

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF BLACKMAN
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
December 31, 2004

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Special Assessments Fund	Total
<u>ASSETS:</u>				
Cash and investments	\$ 8,091,861	\$ 2,623,610	\$ 53,373	\$10,768,844
Prepaid expenses	831	-0-	-0-	831
Receivables:				
Accrued interest	48,780	-0-	-0-	48,780
Customers	279,609	-0-	-0-	279,609
Special assessments - current	39,922	152,873	18,708	211,503
Due from other governmental units	-0-	60,187	-0-	60,187
Due from other funds	<u>733,447</u>	<u>-0-</u>	<u>-0-</u>	<u>733,447</u>
Total current assets	<u>9,194,450</u>	<u>2,836,670</u>	<u>72,081</u>	<u>12,103,201</u>
Special assessments - net of current portion	483,237	367,111	-0-	850,348
Capital assets - net	<u>8,092,825</u>	<u>8,793,743</u>	<u>-0-</u>	<u>16,886,568</u>
Total noncurrent assets	<u>8,576,062</u>	<u>9,160,854</u>	<u>-0-</u>	<u>17,736,916</u>
Total assets	<u>\$17,770,512</u>	<u>\$11,997,524</u>	<u>\$ 72,081</u>	<u>\$29,840,117</u>
<u>LIABILITIES:</u>				
Accounts payable	\$ 321,026	\$ 14,891	\$ -0-	\$ 335,917
Accrued expenses	1,281	-0-	636	1,917
Compensated absences - due within one year	859	-0-	-0-	859
Due to other funds	-0-	631,561	-0-	631,561
Current portion of bonds payable	<u>-0-</u>	<u>-0-</u>	<u>55,000</u>	<u>55,000</u>
Total liabilities	<u>323,166</u>	<u>646,452</u>	<u>55,636</u>	<u>1,025,254</u>
<u>NET ASSETS:</u>				
Investment in capital assets net of related debt	8,092,825	8,793,743	-0-	16,886,568
Unrestricted	9,354,521	2,557,329	-0-	11,911,850
Restricted for debt service	<u>-0-</u>	<u>-0-</u>	<u>16,445</u>	<u>16,445</u>
Total net assets	<u>17,447,346</u>	<u>11,351,072</u>	<u>16,445</u>	<u>28,814,863</u>
Total liabilities and net assets	<u>\$17,770,512</u>	<u>\$11,997,524</u>	<u>\$ 72,081</u>	<u>\$29,840,117</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF BLACKMAN
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
Year Ended December 31, 2004

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Special Assessments Fund	Total
OPERATING REVENUES:				
Charges for services and penalties	\$ 2,215,242	\$ 323,693	\$ -0-	\$ 2,538,935
Other	<u>4,855</u>	<u>2,295</u>	<u>2,048</u>	<u>9,198</u>
Total operating revenues	<u>2,220,097</u>	<u>325,988</u>	<u>2,048</u>	<u>2,548,133</u>
OPERATING EXPENSES:				
Treatment fees	1,351,033	-0-	-0-	1,351,033
Operation and maintenance	526,117	77,804	-0-	603,921
General and administrative	17,060	5,447	675	23,182
Salaries and fringe benefits	91,150	-0-	-0-	91,150
Depreciation	<u>200,024</u>	<u>225,844</u>	<u>-0-</u>	<u>425,868</u>
Total operating expenses	<u>2,185,384</u>	<u>309,095</u>	<u>675</u>	<u>2,495,154</u>
OPERATING INCOME	<u>34,713</u>	<u>16,893</u>	<u>1,373</u>	<u>52,979</u>
NON-OPERATING REVENUES (EXPENSES):				
Connection fees	51,295	148,036	-0-	199,331
Interest income	124,883	30,038	556	155,477
Interest expense	<u>-0-</u>	<u>-0-</u>	<u>(4,278)</u>	<u>(4,278)</u>
Total non-operating revenues (expenses) - net	<u>176,178</u>	<u>178,074</u>	<u>(3,722)</u>	<u>350,530</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	210,891	194,967	(2,349)	403,509
Contributions from school	406,626	-0-	-0-	406,626
Contributions from County	<u>21,680</u>	<u>-0-</u>	<u>-0-</u>	<u>21,680</u>
NET INCOME (LOSS)	639,197	194,967	(2,349)	831,815
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>16,808,149</u>	<u>11,156,105</u>	<u>18,794</u>	<u>27,983,048</u>
NET ASSETS, END OF YEAR	<u>\$17,447,346</u>	<u>\$11,351,072</u>	<u>\$ 16,445</u>	<u>\$28,814,863</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF BLACKMAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2004

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Special Assessments Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 2,158,994	\$ 472,899	\$ 19,759	\$ 2,651,652
Payments to employees	(69,057)	-0-	-0-	(69,057)
Payments to suppliers	(1,873,336)	(87,562)	(675)	(1,961,573)
Net cash provided (used) by operating activities	<u>216,601</u>	<u>385,337</u>	<u>19,084</u>	<u>621,022</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Connection fees and capital contributions	479,601	148,036	-0-	627,637
Construction/acquisition of capital assets	(465,099)	(72,535)	-0-	(537,634)
Principal and interest paid on debt	<u>-0-</u>	<u>-0-</u>	<u>(54,856)</u>	<u>(54,856)</u>
Net cash provided (used) by capital and related financing activities	<u>14,502</u>	<u>75,501</u>	<u>(54,856)</u>	<u>35,147</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of investments	-0-	589,969	-0-	589,969
Interest income	137,449	30,038	556	168,043
Purchase of investments	<u>(2,400,504)</u>	<u>-0-</u>	<u>-0-</u>	<u>(2,400,504)</u>
Net cash provided (used) by investing activities	<u>(2,263,055)</u>	<u>620,007</u>	<u>556</u>	<u>(1,642,492)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,031,952)	1,080,845	(35,216)	(986,323)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>5,373,309</u>	<u>1,091,158</u>	<u>88,589</u>	<u>6,553,056</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,341,357</u>	<u>\$ 2,172,003</u>	<u>\$ 53,373</u>	<u>\$ 5,566,733</u>
BALANCE SHEET CLASSIFICATION OF CASH & CASH EQUIVALENTS:				
Cash and investments	\$ 8,091,861	\$ 2,623,610	\$ 53,373	\$10,768,844
Less: investments with original maturities in excess of three months	<u>(4,750,504)</u>	<u>(451,607)</u>	<u>-0-</u>	<u>(5,202,111)</u>
Total cash and cash equivalents	<u>\$ 3,341,357</u>	<u>\$ 2,172,003</u>	<u>\$ 53,373</u>	<u>\$ 5,566,733</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF BLACKMAN
STATEMENT OF CASH FLOWS (Concluded)
PROPRIETARY FUNDS
Year Ended December 31, 2004

	Business-Type Activities Enterprise Funds			
	Sewer	Water	Special	Total
	Fund	Fund	Assessments Fund	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income	\$ 34,713	\$ 16,893	\$ 1,373	\$ 52,979
Adjustment to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	200,024	225,844	-0-	425,868
Changes in assets and liabilities:				
Prepaid expenses	(158)	-0-	-0-	(158)
Accounts receivable	37,098	157,648	17,711	212,457
Due from other governments	-0-	(10,737)	-0-	(10,737)
Due from other funds	(98,201)	-0-	-0-	(98,201)
Accounts payable and other accrued liabilities	<u>43,125</u>	<u>(4,311)</u>	<u>-0-</u>	<u>38,814</u>
Net cash provided (used) by operating activities	<u>\$ 216,601</u>	<u>\$ 385,337</u>	<u>\$ 19,084</u>	<u>\$ 621,022</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF BLACKMAN
STATEMENT OF ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
December 31, 2004

ASSETS:

Cash and cash equivalents	\$ 1,577,135
Due from others	<u>321</u>
Total assets	\$ <u>1,577,456</u>

LIABILITIES:

Due to other Governmental units	\$ 1,546,063
Due to component unit	31,336
Due to others	<u>57</u>
Total liabilities	\$ <u>1,577,456</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF BLACKMAN
STATEMENT OF NET ASSETS -
COMPONENT UNITS
December 31, 2004

	Local Development Finance <u>Authority</u>	Downtown Development <u>Authority</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and investments	\$ 225,570	\$ 850,727	\$ 1,076,297
Prepaid expenses	-0-	495	495
Receivables:			
Taxes	145,839	254,719	400,558
Capital assets - net	<u>25,855</u>	<u>-0-</u>	<u>25,855</u>
Total assets	<u>397,264</u>	<u>1,105,941</u>	<u>1,503,205</u>
<u>LIABILITIES:</u>			
Accounts payable	16,204	4,770	20,974
Interest	18,753	4,556	23,309
Deferred revenue	145,839	272,502	418,341
Long-term debt:			
Due within one year	85,000	45,000	130,000
Due in more than one year	<u>495,000</u>	<u>460,000</u>	<u>955,000</u>
Total liabilities	<u>760,796</u>	<u>786,828</u>	<u>1,547,624</u>
<u>NET ASSETS:</u>			
Invested in capital assets - net of related debt	25,855	-0-	25,855
Unrestricted	<u>(389,387)</u>	<u>319,113</u>	<u>(70,274)</u>
Total net assets	(\$ <u>363,532</u>)	\$ <u>319,113</u>	(\$ <u>44,419</u>)

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF BLACKMAN
STATEMENT OF ACTIVITIES -
COMPONENT UNITS
Year Ended December 31, 2004

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
Local Development Finance				
Authority - Public Works	\$ 154,733	\$ -0-	\$ -0-	\$ -0-
Downtown Development Authority -				
Public Works	<u>63,970</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total component units	\$ <u>218,703</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

GENERAL REVENUES:

 Taxes
 Interest

 Total general revenues

CHANGES IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR, AS RESTATED

NET ASSETS - END OF YEAR

See accompanying notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Local Development Finance Authority</u>	<u>Downtown Development Authority</u>	<u>Total</u>
(\$ 154,733)	\$ -0-	(\$ 154,733)
<u>-0-</u>	<u>(63,970)</u>	<u>(63,970)</u>
(154,733)	(63,970)	(218,703)
200,015	291,183	491,198
<u>2,499</u>	<u>4,933</u>	<u>7,432</u>
<u>202,514</u>	<u>296,116</u>	<u>498,630</u>
47,781	232,146	279,927
<u>(411,313)</u>	<u>86,967</u>	<u>(324,346)</u>
(\$ <u><u>363,532</u></u>)	\$ <u><u>319,113</u></u>	(\$ <u><u>44,419</u></u>)

CHARTER TOWNSHIP OF BLACKMAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Blackman conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Blackman.

Reporting Entity

The Charter Township of Blackman is governed by an elected seven-member Board of Trustees. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Local Development Finance Authority

The Local Development Finance Authority (L.D.F.A.) which was created pursuant to the provisions of Public Act 281 of 1986, is governed by an eleven (11) member board, which consists of seven (7) representatives appointed by the Charter Township of Blackman, one (1) representative appointed by Jackson Community College, two (2) representatives of Northwest School District, and one (1) representative appointed by the County of Jackson.

The L.D.F.A. was established to finance the acquisition and development of an industrial site in the Township. Subsequently the initial plan was amended and the boundary expanded. The L.D.F.A. captures real and personal property taxes within the district over the initial assessed value of the same property, multiplied by the millage rates (operating only) of all applicable units of government.

Downtown Development Authority

The Downtown Development Authority of the Charter Township of Blackman (D.D.A.) was established as a legally separate entity and is governed by a nine (9) member board appointed by the Charter Township of Blackman. This authority was established to finance improvements to the Township's water supply system serving the downtown development district. The revenues of this authority consist of captured real and personal property taxes within the district over the initial assessed value of the same property (assessed value at the time of the D.D.A.'s creation, multiplied by the millage rate of all applicable units of government). The disbursements of the authority are to pay bond principal and interest, plan and administrative expenses.

There are no separately issued financial statements for the L.D.F.A. and D.D.A. component units.

CHARTER TOWNSHIP OF BLACKMAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary funds, fiduciary fund, and component units financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CHARTER TOWNSHIP OF BLACKMAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. All other revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes and state-shared revenue.

Public Safety Fund - The Public Safety Fund is used to account for all the activities of the Township's Public Safety Department. It also accounts for the use of property taxes received under a specially voted millage.

The Township reports the following major proprietary funds:

Sewer Fund - The Sewer Fund is used to account for the results of operations for providing sewer service to the citizens and businesses of the Township. The primary revenues are generated through user charges from those requesting sewer service.

Water Fund - The Water Fund is used to account for the results of operations for providing water service to the citizens and businesses of the Township. The fund's primary revenues are generated through user charges from those requesting water service.

Special Assessment Fund - The Special Assessment Fund is used to account for the activities associated with a sewer and water project and the debt payments related to the project.

CHARTER TOWNSHIP OF BLACKMAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the Township reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Permanent Fund - The Permanent Fund accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for perpetual care of cemetery lots.

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, and other governments.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer and water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The sewer and water fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

CHARTER TOWNSHIP OF BLACKMAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The Township's 2003 tax is levied and collectible on December 1, 2003, and is recognized as revenue in the year ended December 31, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2003 taxable valuation of the Township totaled approximately \$435,700,000 on which ad valorem taxes levied consisted of .8867 mills for operating purposes and 1.9726 mills for Public Safety. This resulted in \$371,412 for operating, \$820,851 for Public Safety, and \$57,099 for the Township's component units. These amounts are recognized in the General Fund, Special Revenue Fund and discrete component units financial statements as tax revenue (net of reductions for delinquent amounts and prior year tax tribunal changes).

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are considered to be fully collectible.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both the governmental-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CHARTER TOWNSHIP OF BLACKMAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 to 45 years
Sewer and water transportation lines	50 years
Furnishings and equipment	3 to 10 years
Vehicles	3 to 10 years

Compensated Absences - It is the Township's policy to not permit employees to accumulate earned but unused sick pay benefits if the time is not used within a year following the date of their anniversary. There is no liability for unpaid sick pay since the Township does not have a policy to pay any amounts when employees separate from service with the Township. It is the policy to permit eligible employees to accumulate earned but unused vacation pay benefits. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CHARTER TOWNSHIP OF BLACKMAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and all Special Revenue Funds. All annual appropriations lapse at year end. The proposed budget is submitted to the Township Board 120 days prior to the beginning of the next year. Public hearings are held, and a final budget is adopted no later than December 31. The Township Board must approve any budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control is the department level.

The government does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended December 31, 2004, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Safety:			
Debt Service	\$ 88,000	\$ 88,097	(\$ 97)

Accumulated Net Asset Deficit

Charter Township of Blackman's Local Development Finance Authority has an accumulated net asset deficit created as a result of bonding debt to purchase infrastructure which is capitalized in the business-type funds. This deficit will be eliminated by future captures of property taxes.

CHARTER TOWNSHIP OF BLACKMAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classification which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township Board has designated seventeen banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in the instruments approved by the State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and cash equivalents	\$ 942,667	\$ 8,599,628	\$ 9,542,295	\$ 1,577,135	\$ 1,428
Investments	<u>100,340</u>	<u>2,169,216</u>	<u>2,269,556</u>	<u>-0-</u>	<u>1,074,869</u>
Total	<u>\$ 1,043,007</u>	<u>\$10,768,844</u>	<u>\$11,811,851</u>	<u>\$ 1,577,135</u>	<u>\$ 1,076,297</u>

The breakdown between deposits and investments for the Charter Township of Blackman is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank deposits (checking accounts, savings accounts, and certificates of deposits)	\$ 9,539,685	\$ 1,577,135	\$ 1,428
Investments in securities, mutual funds, and similar vehicles	2,269,556	-0-	1,074,869
Petty cash or cash on hand	<u>2,610</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$11,811,851</u>	<u>\$ 1,577,135</u>	<u>\$ 1,076,297</u>

CHARTER TOWNSHIP OF BLACKMAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

3. DEPOSITS AND INVESTMENTS (Continued)

The bank balance of the primary government's deposits is \$9,858,990 of which \$1,789,595 is covered by federal depository insurance. Component units' deposits had a bank balance of \$1,428 of which all was covered by federal depository insurance.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Township or its agent in the Township's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

At year end, the government's investment balances were categorized as follows:

	<u>Reported Amount (Fair Value)</u>	
	<u>Primary Government</u>	<u>Component Units</u>
Investments not subject to categorization:		
Money Market funds	\$ 519,770	\$ 1,074,869
Bank investment pools	<u>1,749,786</u>	<u>-0-</u>
Total primary government	<u>\$ 2,269,556</u>	<u>\$ 1,074,869</u>

The bank investment pools are not categorized because they are not evidenced by securities that exist in physical book entry form. The bank investment pools are regulated by the Michigan Banking Act. The fair value of the portion in the bank investment pools is the same as the value of the pool share.

4. DEFERRED REVENUE

The Township records deferred revenue for property taxes billed as of December 1, that are to be used in the next year's budget.

CHARTER TOWNSHIP OF BLACKMAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

5. CAPITAL ASSETS

Capital asset activity of the Township's governmental activities and business-type activities was as follows:

	Balance <u>January 1, 2004</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>December 31, 2004</u>
Primary Government:				
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>69,384</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>69,384</u>
Capital assets being depreciated:				
Buildings and improvements	1,260,221	-0-	-0-	1,260,221
Furniture and equipment	767,118	109,152	32,012	844,258
Vehicles	<u>1,907,250</u>	<u>87,070</u>	<u>86,122</u>	<u>1,908,198</u>
Total capital assets being depreciated	<u>3,934,589</u>	<u>196,222</u>	<u>118,134</u>	<u>4,012,677</u>
Less: accumulated depreciation:				
Buildings and improvements	376,874	24,779	-0-	401,653
Furniture and equipment	559,840	47,493	26,650	580,683
Vehicles	<u>1,028,545</u>	<u>124,351</u>	<u>83,813</u>	<u>1,069,083</u>
Total accumulated depreciation	<u>1,965,259</u>	<u>196,623</u>	<u>110,463</u>	<u>2,051,419</u>
Total capital assets being depreciated - net	<u>1,969,330</u>	<u>(401)</u>	<u>7,671</u>	<u>1,961,258</u>
Total capital assets - net	\$ <u>2,038,714</u>	(\$ <u>401</u>)	\$ <u>7,671</u>	\$ <u>2,030,642</u>

CHARTER TOWNSHIP OF BLACKMAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

5. CAPITAL ASSETS (Continued)

	Balance <u>January 1, 2004</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>December 31, 2004</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 8,675	\$ -0-	\$ -0-	\$ 8,675
Construction in progress	<u>401,385</u>	<u>26,756</u>	<u>182,375</u>	<u>245,766</u>
Total capital assets not being depreciated	<u>410,060</u>	<u>26,756</u>	<u>182,375</u>	<u>254,441</u>
Capital assets being depreciated:				
Buildings and improvements	2,301,164	3,180	-0-	2,304,344
Sewer and water transportation lines	20,089,896	690,074	-0-	20,779,970
Equipment	<u>345,839</u>	<u>-0-</u>	<u>-0-</u>	<u>345,839</u>
Total capital assets being depreciated	<u>22,736,899</u>	<u>693,254</u>	<u>-0-</u>	<u>23,430,153</u>
Less: accumulated depreciation:				
Buildings and improvements	541,265	48,094	-0-	589,359
Sewer and water transportation lines	5,510,214	370,044	-0-	5,880,258
Equipment	<u>320,679</u>	<u>7,730</u>	<u>-0-</u>	<u>328,409</u>
Total accumulated depreciation	<u>6,372,158</u>	<u>425,868</u>	<u>-0-</u>	<u>6,798,026</u>
Total capital assets being depreciated - net	<u>16,364,741</u>	<u>267,386</u>	<u>-0-</u>	<u>16,632,127</u>
Total capital assets - net	<u>\$16,774,801</u>	<u>\$ 294,142</u>	<u>\$ 182,375</u>	<u>\$16,886,568</u>
Component Units:				
Capital assets not being depreciated:				
Land	\$ 5,872	\$ -0-	\$ -0-	\$ 5,872
Construction in progress	<u>19,983</u>	<u>-0-</u>	<u>-0-</u>	<u>19,983</u>
Total capital assets	<u>\$ 25,855</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 25,855</u>

CHARTER TOWNSHIP OF BLACKMAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

5. CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 29,366
Public Safety	163,827
Recreation	<u>3,430</u>
Total governmental activities	<u>\$ 196,623</u>
Business-type activities:	
Sewer Fund	\$ 200,024
Water Fund	<u>225,844</u>
Total business-type activities	<u>\$ 425,868</u>

Construction Commitments

The Township has active construction projects at year end. The projects include sewer storage building. At year end the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Sewer storage building project	\$ <u>22,078</u>	\$ <u>49,112</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other non-major funds	\$ <u>21,287</u>
Public Safety Fund	General Fund	50,737
	Other non-major funds	<u>443</u>
	Total Public Safety Fund	<u>51,180</u>
Sewer Fund	General Fund	101,886
	Water Fund	<u>631,561</u>
	Total Sewer Fund	<u>733,447</u>
Other non-major funds	General Fund	<u>2,895</u>
	Total	<u>\$ 808,809</u>

CHARTER TOWNSHIP OF BLACKMAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Interfund transfers reported in the fund financial statements for the year ended December 31, 2004, are as follows:

	<u>Transfers (out)</u> <u>General Fund</u>
Transfers in:	
Public Safety Fund	\$ <u>1,425,000</u>

The interfund transfer from the General Fund to the Public Safety Fund is to subsidize those operations.

7. LONG-TERM DEBT

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received.

Long-term obligation activity can be summarized as follows:

	<u>Interest</u> <u>Rate</u> <u>Ranges</u>	<u>Principal</u> <u>Maturity</u> <u>Ranges</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Ending</u> <u>Balance</u>	<u>Due within</u> <u>One Year</u>
Primary Government:						
Governmental activities:						
Installment purchase agreement ladder truck purchase amount of issue \$732,004, maturity through 2012	3.700%	Various	\$ 654,819	(\$ 64,967)	\$ 589,852	\$ 66,900
Special assessment bonds						
1995 road bonds amount of issue \$295,000, maturity through 2005	6.625%	\$20,000 - 40,000	<u>80,000</u>	<u>(40,000)</u>	<u>40,000</u>	<u>40,000</u>
Total governmental activities			\$ <u>734,819</u>	(\$ <u>104,967</u>)	\$ <u>629,852</u>	\$ <u>106,900</u>

CHARTER TOWNSHIP OF BLACKMAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

7. LONG-TERM DEBT (Continued)

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Business-type activities:						
Special assessment bonds						
1995 sewer and water						
bonds amount of issue						
\$390,000, maturity						
through 2005	4.625%	\$25,000 - 55,000	\$ <u>105,000</u>	(\$ <u>50,000</u>)	\$ <u>55,000</u>	\$ <u>55,000</u>
Total business-type			\$ <u>105,000</u>	(\$ <u>50,000</u>)	\$ <u>55,000</u>	\$ <u>55,000</u>
activities						
Component Units:						
Revenue bonds 1991 tax						
increment finance authority						
bonds amount of issue						
\$1,120,000, maturity						
through 2009	9.700%	\$10,000 - 75,000	\$ <u>635,000</u>	(\$ <u>55,000</u>)	\$ <u>580,000</u>	\$ <u>85,000</u>
1993 - water improve-						
ment project, D.D.A.						
amount of issue						
\$690,000, maturity						
through 2013	3.900% - 5.550%	\$15,000 - 65,000	<u>545,000</u>	(\$ <u>40,000</u>)	<u>505,000</u>	<u>45,000</u>
Total component			\$ <u>1,180,000</u>	(\$ <u>95,000</u>)	\$ <u>1,085,000</u>	\$ <u>130,000</u>
units						

Annual debt service requirement to maturity for the above obligations are as follows:

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Component Units</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 106,900	\$ 23,349	\$ 130,249	\$ 55,000	\$ 2,544	\$ 57,544	\$ 130,000	\$ 80,762	\$ 210,762
2006	69,418	18,179	87,597	-0-	-0-	-0-	195,000	68,282	263,282
2007	72,030	15,567	87,597	-0-	-0-	-0-	200,000	51,261	251,261
2008	74,741	12,856	87,597	-0-	-0-	-0-	210,000	33,941	243,941
2009	77,554	10,043	87,597	-0-	-0-	-0-	95,000	17,619	112,619
2010 -									
2013	<u>229,209</u>	<u>93,014</u>	<u>322,223</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>255,000</u>	<u>28,720</u>	<u>283,720</u>
Total	\$ <u>629,852</u>	\$ <u>173,008</u>	\$ <u>802,860</u>	\$ <u>55,000</u>	\$ <u>2,544</u>	\$ <u>57,544</u>	\$ <u>1,085,000</u>	\$ <u>280,585</u>	\$ <u>1,365,585</u>

CHARTER TOWNSHIP OF BLACKMAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

8. RISK MANAGEMENT

The Charter Township of Blackman is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for employee injury and medical claims, and participates in the Michigan Township Participating Plan risk pool for claims relating to property loss, torts and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township Participating Plan risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

9. CONTINGENT LIABILITIES

The Township COPS grant is under review by the U.S. Department of Justice. If the Township is found in noncompliance with nonsupporting requirement of the COPS statute, the Township may have to repay the COPS office for an undetermined amount. This amount, if any, cannot be reasonably estimated, accordingly, no provision has been made for future losses that may result as of this review.

10. OTHER POST-EMPLOYMENT BENEFITS

The Township provides post-employment health care and dental insurance to eligible retirees, spouses, and their dependents. The benefits are provided in accordance with Township ordinances, resolutions, and collective bargaining agreement. During the year 2004, twenty-four (24) retirees were eligible for the post-employment health care and dental insurance benefits at a cost of \$244,687; these expenditures are recognized as the insurance premiums become due. The Township's policy is to finance these benefits on a pay-as-you-go basis. For those employees who terminate and are not eligible retirees (normal or disability), health care and dental insurance benefits continue for 30 days after termination. At that time the former employee has continuation rights to health insurance coverage under COBRA law of 1985.

CHARTER TOWNSHIP OF BLACKMAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

11. DEFINED CONTRIBUTION PENSION PLAN

The Charter Township of Blackman contributes to the Blackman Township pension plan, which is a defined contribution pension plan administered by Manufacturer's Life Insurance Company. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. All office employees and union staff electing this plan participate in the plan. Contributions made by an employee vest immediately and contributions made by the Township vest after 20 months of full employment. An employee who leaves the employment of the Township is entitled to their contributions made and the earnings on those contributions immediately. An employee is entitled to the Township's portion of contributions and the earnings on those contributions twelve months after termination of employment, if vesting requirements are satisfied.

All full time office and electing union employees of the Township are covered by the plan. The total employees' payroll for the year was \$496,820. The total payroll covered by the plan for the year was \$463,171. The contribution rate for 2004 was 15% of regular pay.

During the year the Township's required and actual contributions amounted to \$69,141.

12. DEFINED BENEFIT PENSION PLAN (MICHIGAN MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM)

Plan Description

The Township participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers the Township's Public Safety Department command and Union staff. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 1134 Municipal Way, Lansing, Michigan 48917.

CHARTER TOWNSHIP OF BLACKMAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

12. DEFINED BENEFIT PENSION PLAN (MICHIGAN MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM) Continued

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Police Officers Association of Michigan (POAM). The Township is required to contribute at an actuarially determined rate; the current rate is 14.95 percent at December 31, 2004. The Township has negotiated with the POAM to contribute a maximum of 12.5 percent and the Union members have agreed to pay the balance. For the year ended December 31, 2004, members were required to contribute 2.45 percent of covered payroll.

Annual Pension Costs

For year ended 2004, the Township's annual pension cost of \$169,800 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the entry actual age cost method. Significant actuarial assumptions used include (i) 8 percent investment rate of return; (ii) projected salary increases of 4.5 percent per year based upon an age related scale to reflect merit longevity, and promotional salary increases. The actuarial value of assets is determined on the basis of a method that calculates expected investment income at the valuation rate of return and adds a portion of the difference between the expected investment income and actual investment income earned on a market value basis. The unfunded actuarial liability is being amortized as a level percent of payroll on an open basis. The remaining amortization period is 30 years.

Trend Information for Charter Township of Blackman

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/03	\$ 261,001	100%	\$ -0-
12/31/04	169,800	100%	-0-

Schedule of Funding Progress for the Charter Township of Blackman

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as of % of Covered Payroll ((b-a)/c)</u>
12/31/03	\$2,100,197	\$3,664,326	\$1,564,129	57%	\$1,354,403	115%

CHARTER TOWNSHIP OF BLACKMAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

13. ACCOUNTING AND REPORTING CHANGE

As of and for the year ended December 31, 2004, the Township implemented Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. The Charter Township of Blackman has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). The Township has elected to implement both the general provisions of the statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- A management's discussion and analysis section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds
- Capital assets at January 1, 2004 previously reported in the General Fixed Assets Account Group have been adjusted to reflect the historical cost of the Township's capital assets at the date.

CHARTER TOWNSHIP OF BLACKMAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

13. ACCOUNTING AND REPORTING CHANGE (Continued)

As a result of implementing GASB 34 for the year ended December 31, 2004, the following restatements were made to the net asset accounts:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
Equity at December 31, 2003, as previously reported	\$ 1,193,933	\$27,964,255	\$ 855,217
Special Assessment Fund formerly a Capital Projects Fund entitled Special Assessment Capital Projects - Sewer and Water and a Debt Service Fund entitled Special Assessment Debt Service Sewer and Water, is now reported singularly as a business-type activity	(88,588)	88,588	-0-
Effect of recognizing state-shared revenue received within 60 days of year end	254,482	-0-	-0-
Effect of recording full accrual information on the government-wide statements:			
Capital assets	2,038,714	-0-	25,855
Compensated absences	(66,760)	-0-	-0-
Special Assessment Fund deferred revenue	29,274	36,419	-0-
Debt and interest at December 31, 2003 previously recorded n General long-term debt account group	<u>(738,178)</u>	<u>(106,214)</u>	<u>(1,205,418)</u>
Net assets - January 1, 2004	\$ <u>2,622,877</u>	\$ <u>27,983,048</u>	(\$ <u>324,346</u>)

REQUIRED SUPPLEMENTAL INFORMATION

CHARTER TOWNSHIP OF BLACKMAN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended December 31, 2004

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance With Amended <u>Budget</u>
REVENUES:				
Taxes and penalties	\$ 602,943	\$ 592,273	\$ 609,689	\$ 17,416
Licenses and permits	83,752	96,521	109,253	12,732
State sources	1,450,000	1,450,000	1,453,763	3,763
Charges for services	7,131	10,071	8,241	(1,830)
Interest and rentals	20,400	5,000	8,595	3,595
Other revenues	<u>38,300</u>	<u>18,000</u>	<u>25,075</u>	<u>7,075</u>
Total revenues	<u>2,202,526</u>	<u>2,171,865</u>	<u>2,214,616</u>	<u>42,751</u>
EXPENDITURES:				
General government:				
Township Board	142,368	131,008	107,942	23,066
Supervisor	248,269	197,846	196,974	872
Elections	28,600	28,600	27,556	1,044
Clerk	189,328	176,788	167,116	9,672
Board of Review	2,384	1,630	763	867
Treasurer	152,389	126,153	110,291	15,862
Cemetery	9,245	9,245	5,489	3,756
Township Hall	42,794	34,794	29,262	5,532
Public Works	7,605	18,605	11,536	7,069
Community economic development	93,729	91,069	75,927	15,142
Recreation	16,691	-0-	-0-	-0-
Other	<u>15,081</u>	<u>17,797</u>	<u>10,515</u>	<u>7,282</u>
Total expenditures	<u>948,483</u>	<u>833,535</u>	<u>743,371</u>	<u>90,164</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,254,043</u>	<u>1,338,330</u>	<u>1,471,245</u>	<u>132,915</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers (out)	(1,906,125)	(1,559,176)	(1,425,000)	<u>134,176</u>
Total other financing sources (uses)	(1,906,125)	(1,559,176)	(1,425,000)	<u>134,176</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(652,082)	(220,846)	46,245	267,091
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	<u>673,920</u>	<u>673,921</u>	<u>928,403</u>	<u>254,482</u>
FUND BALANCE - END OF YEAR	<u>\$ 21,838</u>	<u>\$ 453,075</u>	<u>\$ 974,648</u>	<u>\$ 521,573</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF BLACKMAN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - PUBLIC SAFETY FUND
Year Ended December 31, 2004

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance With Amended <u>Budget</u>
REVENUES:				
Taxes and penalties	\$ 823,000	\$ 836,291	\$ 850,970	\$ 14,679
Federal sources	25,396	114,087	106,490	(7,597)
State sources	114,902	115,021	130,822	15,801
Contribution from local units	22,000	22,000	22,000	-0-
Fines and forfeitures	150,000	115,000	123,016	8,016
Charges for services	30,500	9,742	21,330	11,588
Other revenues	<u>8,285</u>	<u>42,242</u>	<u>68,123</u>	<u>25,881</u>
Total revenues	<u>1,174,083</u>	<u>1,254,383</u>	<u>1,322,751</u>	<u>68,368</u>
EXPENDITURES:				
Public Safety	3,008,007	2,815,656	2,737,557	78,099
Debt service	<u>88,000</u>	<u>88,000</u>	<u>88,097</u>	<u>(97)</u>
Total expenditures	<u>3,096,007</u>	<u>2,903,656</u>	<u>2,825,654</u>	<u>78,002</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,921,924)</u>	<u>(1,649,273)</u>	<u>(1,502,903)</u>	<u>146,370</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>1,906,125</u>	<u>1,559,176</u>	<u>1,425,000</u>	<u>(134,176)</u>
Total other financing sources (uses)	<u>1,906,125</u>	<u>1,559,176</u>	<u>1,425,000</u>	<u>(134,176)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(15,799)</u>	<u>(90,097)</u>	<u>(77,903)</u>	<u>12,194</u>
FUND BALANCE - BEGINNING OF YEAR	<u>95,119</u>	<u>107,910</u>	<u>107,910</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	<u>\$ 79,320</u>	<u>\$ 17,813</u>	<u>\$ 30,007</u>	<u>\$ 12,194</u>

See accompanying notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

CHARTER TOWNSHIP OF BLACKMAN
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
December 31, 2004

	Non-Major Special Revenue Funds					
	<u>Brownfield</u>	<u>Building Department</u>	<u>Parks</u>	<u>Drug Forfeiture</u>	<u>Criminal Forfeiture</u>	<u>Street Lights</u>
<u>ASSETS:</u>						
Cash and cash equivalents	\$ 1,331	\$ 67,066	\$ 73,554	\$ 80,170	\$ 2,352	\$ 53,788
Prepaid expenses	-0-	1,782	-0-	-0-	-0-	-0-
Receivables:						
Special assessments	-0-	-0-	-0-	-0-	-0-	83,940
Due from other funds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets	\$ <u>1,331</u>	\$ <u>68,848</u>	\$ <u>73,554</u>	\$ <u>80,170</u>	\$ <u>2,352</u>	\$ <u>137,728</u>
<u>LIABILITIES AND FUND BALANCES:</u>						
Liabilities:						
Accounts payable	\$ -0-	\$ 5,924	\$ 80	\$ 19,236	\$ 703	\$ 8,321
Accrued liabilities	-0-	1,275	-0-	1,720	890	-0-
Due to other funds	1,331	20,399	-0-	-0-	-0-	-0-
Deferred revenue	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>105,745</u>
Total liabilities	<u>1,331</u>	<u>27,598</u>	<u>80</u>	<u>20,956</u>	<u>1,593</u>	<u>114,066</u>
Fund balance:						
Reserved for:						
Perpetual care	-0-	-0-	-0-	-0-	-0-	-0-
Debt service	-0-	-0-	-0-	-0-	-0-	-0-
Unreserved	<u>-0-</u>	<u>41,250</u>	<u>73,474</u>	<u>59,214</u>	<u>759</u>	<u>23,662</u>
Total fund balance	<u>-0-</u>	<u>41,250</u>	<u>73,474</u>	<u>59,214</u>	<u>759</u>	<u>23,662</u>
Total liabilities and fund balances	\$ <u>1,331</u>	\$ <u>68,848</u>	\$ <u>73,554</u>	\$ <u>80,170</u>	\$ <u>2,352</u>	\$ <u>137,728</u>

See accompanying notes to financial statements.

Non-Major Debt Service Fund	Non-Major Capital Project Fund	Permanent Fund	Total Non-Major Governmental Funds
<u>Roads</u>	<u>Roads</u>	<u>Cemetery</u>	
\$ 34,543	\$ 1,660	\$ 25,392	\$339,856
-0-	-0-	-0-	1,782
15,174	-0-	-0-	99,114
<u>-0-</u>	<u>-0-</u>	<u>2,895</u>	<u>2,895</u>
\$ <u>49,717</u>	\$ <u>1,660</u>	\$ <u>28,287</u>	\$ <u>443,647</u>
\$ -0-	\$ -0-	\$ -0-	\$ 34,264
-0-	-0-	-0-	3,885
-0-	-0-	-0-	21,730
<u>15,174</u>	<u>-0-</u>	<u>-0-</u>	<u>120,919</u>
<u>15,174</u>	<u>-0-</u>	<u>-0-</u>	<u>180,798</u>
-0-	-0-	21,470	21,470
34,543	-0-	-0-	34,543
<u>-0-</u>	<u>1,660</u>	<u>6,817</u>	<u>206,836</u>
<u>34,543</u>	<u>1,660</u>	<u>28,287</u>	<u>262,849</u>
\$ <u>49,717</u>	\$ <u>1,660</u>	\$ <u>28,287</u>	\$ <u>443,647</u>

CHARTER TOWNSHIP OF BLACKMAN
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2004

	Non-Major Special Revenue Funds					
	<u>Brownfield</u>	<u>Building Department</u>	<u>Parks</u>	<u>Drug Forfeiture</u>	<u>Criminal Forfeiture</u>	<u>Street Lights</u>
REVENUES:						
Licenses and permits	\$ -0-	\$ 94,128	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Federal sources	-0-	-0-	-0-	592	-0-	-0-
Fines and forfeitures	-0-	-0-	-0-	94,718	6,761	-0-
Charges for services	-0-	-0-	1,775	-0-	-0-	-0-
Interest	12	-0-	797	-0-	-0-	521
Other revenues	<u>-0-</u>	<u>44</u>	<u>-0-</u>	<u>282</u>	<u>-0-</u>	<u>108,099</u>
Total revenues	<u>12</u>	<u>94,172</u>	<u>2,572</u>	<u>95,592</u>	<u>6,761</u>	<u>108,620</u>
EXPENDITURES:						
Public Safety	-0-	164,163	-0-	59,148	8,049	-0-
Public works	-0-	-0-	-0-	-0-	-0-	98,835
Community and economic development	39	-0-	-0-	-0-	-0-	-0-
Recreation	-0-	-0-	9,642	-0-	-0-	-0-
Debt service	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total expenditures	<u>39</u>	<u>164,163</u>	<u>9,642</u>	<u>59,148</u>	<u>8,049</u>	<u>98,835</u>
EXCESS OF REVENUES OVER (UNDER) EXPEN- DITURES	(27)	(69,991)	(7,070)	36,444	(1,288)	9,785
FUND BALANCE - BEGINNING OF YEAR	<u>27</u>	<u>111,241</u>	<u>80,544</u>	<u>22,770</u>	<u>2,047</u>	<u>13,877</u>
FUND BALANCE - END OF YEAR	\$ <u>-0-</u>	\$ <u>41,250</u>	\$ <u>73,474</u>	\$ <u>59,214</u>	\$ <u>759</u>	\$ <u>23,662</u>

See accompanying notes to financial statements.

<u>Non-Major Debt Service Fund</u>	<u>Non-Major Capital Project Fund</u>	<u>Permanent Fund</u>	<u>Total Non-Major Governmental Funds</u>
<u>Roads</u>	<u>Roads</u>	<u>Cemetery</u>	
\$ -0-	\$ -0-	\$ -0-	\$ 94,128
-0-	-0-	-0-	592
-0-	-0-	-0-	101,479
-0-	-0-	600	2,375
373	6	147	1,856
<u>16,331</u>	<u>-0-</u>	<u>-0-</u>	<u>124,756</u>
<u>16,704</u>	<u>6</u>	<u>747</u>	<u>325,186</u>
-0-	-0-	-0-	231,360
-0-	-0-	-0-	98,835
-0-	-0-	-0-	39
-0-	-0-	-0-	9,642
<u>45,975</u>	<u>-0-</u>	<u>-0-</u>	<u>45,975</u>
<u>45,975</u>	<u>-0-</u>	<u>-0-</u>	<u>385,851</u>
(29,271)	6	747	(60,665)
<u>63,814</u>	<u>1,654</u>	<u>27,540</u>	<u>323,514</u>
\$ <u>34,543</u>	\$ <u>1,660</u>	\$ <u>28,287</u>	\$ <u>262,849</u>

CHARTER TOWNSHIP OF BLACKMAN
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF NET ASSETS -
FIDUCIARY FUNDS
December 31, 2004

	<u>Agency Funds</u>				
	<u>Current Tax</u>	<u>Trust and</u>	<u>Local</u>	<u>Downtown</u>	<u>Total</u>
	<u>Collection</u>	<u>Agency</u>	<u>Development</u>	<u>Development</u>	<u>Agency</u>
			<u>Finance</u>	<u>Authority</u>	<u>Funds</u>
			<u>Authority Escrow</u>	<u>Escrow</u>	
<u>ASSETS:</u>					
Cash and cash equivalents	\$ 685,896	\$ 2,022	\$ 249,194	\$ 640,023	\$ 1,577,135
Due from others	<u>321</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>321</u>
Total assets	<u>\$ 686,217</u>	<u>\$ 2,022</u>	<u>\$ 249,194</u>	<u>\$ 640,023</u>	<u>\$ 1,577,456</u>
<u>LIABILITIES:</u>					
Due to other Governmental units	\$ 686,217	\$ 1,965	\$ 221,347	\$ 636,534	\$ 1,546,063
Due to component unit	-0-	-0-	27,847	3,489	31,336
Due to others	<u>-0-</u>	<u>57</u>	<u>-0-</u>	<u>-0-</u>	<u>57</u>
Total liabilities	<u>\$ 686,217</u>	<u>\$ 2,022</u>	<u>\$ 249,194</u>	<u>\$ 640,023</u>	<u>\$ 1,577,456</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF BLACKMAN
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET - ALL DESCRETELY
PRESENTED COMPONENT UNITS
December 31, 2004

	<u>Local Development Finance Authority</u>		
	<u>Governmental Fund Type</u>		
	<u>General</u>	<u>Debt</u>	<u>Capital</u>
	<u>Fund</u>	<u>Service</u>	<u>Projects</u>
<u>ASSETS:</u>			
Cash, cash equivalents, and investments	\$ 23,072	\$ 93,651	\$ 108,847
Receivables:			
Taxes	34,683	63,130	48,026
Prepaid expense	-0-	-0-	-0-
Due from other funds	<u>23,242</u>	<u>-0-</u>	<u>-0-</u>
Total assets	\$ <u>80,997</u>	\$ <u>156,781</u>	\$ <u>156,873</u>
<u>LIABILITIES AND FUND BALANCE:</u>			
Liabilities:			
Accounts payable	\$ 16,204	\$ -0-	\$ -0-
Due to other funds	-0-	-0-	23,242
Deferred revenue	<u>34,683</u>	<u>63,130</u>	<u>48,026</u>
Total liabilities	<u>50,887</u>	<u>63,130</u>	<u>71,268</u>
Fund balance:			
Reserved for:			
Debt service	-0-	93,651	-0-
Capital projects	-0-	-0-	85,605
Unreserved	<u>30,110</u>	<u>-0-</u>	<u>-0-</u>
Total fund balance	<u>30,110</u>	<u>93,651</u>	<u>85,605</u>
Total liabilities and fund balance	\$ <u>80,997</u>	\$ <u>156,781</u>	\$ <u>156,873</u>

See accompanying notes to financial statements.

Downtown Development Authority			
Governmental Fund Type			
General Fund	Debt Service	Capital Projects	Total
\$ 526,063	\$ 323,236	\$ 1,428	\$ 1,076,297
218,551	36,168	-0-	400,558
495	-0-	-0-	495
<u>194,015</u>	<u>1,557</u>	<u>-0-</u>	<u>218,814</u>
\$ <u>939,124</u>	\$ <u>360,961</u>	\$ <u>1,428</u>	\$ <u>1,696,164</u>
\$ 4,770	\$ -0-	\$ -0-	\$ 20,974
129	194,015	1,428	218,814
<u>213,834</u>	<u>58,668</u>	<u>-0-</u>	<u>418,341</u>
<u>218,733</u>	<u>252,683</u>	<u>1,428</u>	<u>658,129</u>
-0-	108,278	-0-	201,929
-0-	-0-	-0-	85,605
<u>720,391</u>	<u>-0-</u>	<u>-0-</u>	<u>750,501</u>
<u>720,391</u>	<u>108,278</u>	<u>-0-</u>	<u>1,038,035</u>
\$ <u>939,124</u>	\$ <u>360,961</u>	\$ <u>1,428</u>	\$ <u>1,696,164</u>

CHARTER TOWNSHIP OF BLACKMAN
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS -
DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2004

Fund balances - total discretely presented component units	\$ 1,038,035
Amounts reported for component units in the statement of net assets are different because:	
Capital assets used in component units are not financial resources and are not reported in the funds	25,855
Long-term liabilities not due and payable in the current period and are not reported in the component units:	
Notes and bonds payable	(1,085,000)
Accrued interest payable is not included as a liability in the component units	<u>(23,309)</u>
Net assets of component units	(\$ <u>44,419</u>)

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF BLACKMAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - ALL DISCRETELY PRESENTED
 COMPONENT UNITS
 Year Ended December 31, 2004

	<u>Local Development Finance Authority</u>		
	<u>Governmental Fund Type</u>		
	<u>General</u>	<u>Debt</u>	<u>Capital</u>
	<u>Fund</u>	<u>Service</u>	<u>Projects</u>
REVENUES:			
Taxes	\$ 25,180	\$ 125,183	\$ 49,652
Interest income	<u>427</u>	<u>916</u>	<u>1,156</u>
Total revenues	<u>25,607</u>	<u>126,099</u>	<u>50,808</u>
EXPENDITURES:			
Current:			
Other	63,317	375	32,946
Debt payments	<u>-0-</u>	<u>114,874</u>	<u>-0-</u>
Total expenditures	<u>63,317</u>	<u>115,249</u>	<u>32,946</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDI- TURES AND OTHER USES	(37,710)	10,850	17,862
FUND BALANCE - JANUARY 1, 2004	<u>67,820</u>	<u>82,801</u>	<u>67,743</u>
FUND BALANCE - DECEMBER 31, 2004	\$ <u>30,110</u>	\$ <u>93,651</u>	\$ <u>85,605</u>

See accompanying notes to financial statements.

<u>Downtown Development Authority</u>			
<u>Governmental Fund Type</u>			
<u>General</u> <u>Fund</u>	<u>Debt</u> <u>Service</u>	<u>Capital</u> <u>Projects</u>	<u>Total</u>
\$ 222,169	\$ 68,325	\$ 689	\$ 491,198
<u>3,026</u>	<u>1,907</u>	<u>-0-</u>	<u>7,432</u>
<u>225,195</u>	<u>70,232</u>	<u>689</u>	<u>498,630</u>
35,286	-0-	689	132,613
<u>-0-</u>	<u>68,325</u>	<u>-0-</u>	<u>183,199</u>
<u>35,286</u>	<u>68,325</u>	<u>689</u>	<u>315,812</u>
189,909	1,907	-0-	182,818
<u>530,482</u>	<u>106,371</u>	<u>-0-</u>	<u>855,217</u>
\$ <u>720,391</u>	\$ <u>108,278</u>	\$ <u>-0-</u>	\$ <u>1,038,035</u>

CHARTER TOWNSHIP OF BLACKMAN
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
DISCRETELY PRESENTED COMPONENT UNITS
TO THE STATEMENT OF ACTIVITIES
December 31, 2004

Net change in fund balance - total component units	\$ 182,818
Amounts reported for governmental activities in the statement of activities are different because:	
Interest expense is reported in the statement of activities when incurred; it is not reported in the component units governmental funds until paid	2,109
Repayment of note/bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>95,000</u>
Changes in net assets of governmental activities	\$ <u>279,927</u>

See accompanying notes to financial statements.

Dove & Hickey, P.L.C.

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MEMBERS:

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May 27, 2005

Township Board
Charter Township of Blackman
Jackson County, Michigan

Board Members:

We have audited the general purpose financial statements of the Charter Township of Blackman for the year ended December 31, 2004, and we have rendered our opinion thereon dated April 20, 2005. In addition to the audit report, we offer the following comments and suggestions for your consideration.

In planning and performing our audit of the financial statements of the Charter Township of Blackman for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated April 20, 2005, on the financial statements of the Township. We will review the status of these comments during our next audit engagement. Our comments and recommendations are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Budgets

P.A. 621 of 1978, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Township incurred expenditures in excess of amounts appropriated in one activity: Public Safety – Debt Service (\$97). The Township should amend its budget before this occurs.

Internal Control Considerations

During the audit, we noted that most journal entries entered by an employee were not reviewed by management. We suggest that the Clerk review and authorize non-standard journal entries.

Internal Controls per The Michigan Department of Treasury Uniform Accounting Procedures Manual

Management is responsible for establishing and maintaining a system of internal controls over the accounting procedures as well as over all assets belonging to the governmental unit. Internal controls are policies and procedures designed to provide reasonable assurance that assets are safeguarded against unauthorized use and disposition.

Management may be the governing body in small units of government or may be appointed administrative officials on larger governments. However, the governing body in larger units of government is still responsible to assure that adequate internal controls are in place and should be receiving reports from management that will assist in that determination.

In light of the new accounting software, the integration of the new accounting programs, and to a lesser extent new hardware, the Township should undertake a study of internal controls, segregation of duties, and general ledger postings of Sewer, Water, and Building Department cash receipts, billings, and receivables and changes made, if necessary. The purpose is to increase internal controls and segregation of duties.

Accounting System

During the audit we noted that Water Service Applications are not pre-numbered. We suggest that they be sequentially numbered. This will help to insure that all applications are recorded in the accounting system.

We also noted during the audit that a Sewer connection fee that was financed was not set up in the Sewer Special Assessments. This problem will be corrected once the Special Assessment program is interfaced with the general ledger program, but until this occurs, we suggest that someone other than the utility billing clerk review the Sewer applications and the Special Assessments to help insure that they are recorded accurately and timely.

Use of Drug Enforcement Money

In accordance with MCL 333.7524(1)(b) – "...The money received ...and all interest earned on money received ...shall be used to enhance law enforcement efforts pertaining to this article..." During 2004, an unmarked car was purchased with Drug Enforcement Fund money. The car is predominantly used for non-Drug Enforcement activities. We suggest that the car be used as required by MCL 333, or have the Public Safety reimburse the Drug Enforcement Fund for the cost of the car.

D.D.A. and L.D.F.A. Proportionality Adjustment and Surplus Capital Tax Distribution

Both the D.D.A. and L.D.F.A. should review their current fund position and ongoing budgeted revenue and expenditures. In addition, the D.D.A. "plan" should be reviewed, a future course of action developed, and the plan amended if necessary. The State Tax Commission requires that the capturing entity "shall not retain a greater percentage of school operating taxes...than the percentage of county allocated or municipality operating taxes...that the plan captures and uses." We recommend that the D.D.A. and L.D.F.A. consider whether or not, a proportionality adjustment, distribution of excess captured school taxes, and a surplus captured taxes distribution, be calculated and disbursed.

Action Plan

We have provided the Township's management a 2004 Action Plan form regarding the comments and recommendations contained in this letter. Each comment or recommendation should be addressed and the Action Plan form should be completed.

We believe that implementation of these recommendations will provide the Township with a stronger system of internal control while making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation. This report is intended solely for the information and use of the Township Board, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve you. If you have any questions regarding this letter, please contact us.

Respectfully yours,

Dove & Hickey PLLC